

Decision 16-08-004 August 18, 2016

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Interstate 5 Utility Company, Inc. (U292W) to sell Water and Sewer Systems in Kern County to Mc MOR Chlorination Inc., a California Corporation.

Application 15-07-022
(Filed July 17, 2015)

**DECISION APPROVING A TRANSFER OF CONTROL OF
INTERSTATE 5 UTILITY COMPANY**

Summary

Pursuant to Public Utilities (Pub. Util.) Code §§ 851-854, this decision authorizes the Sears Living Trust,¹ operating a water and sewer system known as Interstate 5 Utility Company, Incorporated (Interstate 5 Utility²), to transfer control of Interstate 5 Utility through a sale and purchase agreement to Mc Mor Chlorination Incorporated (Mc Mor).

Interstate 5 Utility system currently operates in the area described as the commercial development at the intersection of Interstate 5 and Highway 58 near the community of Buttonwillow, California, which serves a total of approximately 20 commercial customers. As a condition of this approval, Mc Mor must receive a permit to operate the Interstate 5 Utility water system from the State Water Resources Control Board (SWRCB), Division of Drinking Water (DDW). Until it has received such permit to operate, Mc Mor must not take

¹ The Sears Living Trust is dated June 28, 1991.

² The water and sewer utility systems are jointly referred to as Interstate 5 Utility.

possession of and not collect tariffed rates from the customers of Interstate 5 Utility water system.

1. Background

On July 17, 2015, the Sears Living Trust (Sears Trust) and Mc Mor Chlorination Inc. (Mc Mor)³ filed a joint application seeking authority for the Sears Trust to transfer control of the Interstate 5 Utility water and sewer systems (Interstate 5 Utility), located in Kern County, to Mc Mor.⁴

Notice of Application (A.) 15-07-015 appeared on the Commission's Daily Calendar on July 21, 2015. By Resolution ALJ-176-3360 dated July 23, 2015, it was preliminarily determined that this is a ratesetting proceeding and that hearings would be necessary. No protests were filed, therefore no hearings were held. On July 28, 2015, Interstate 5 Utility and Mc Mor jointly provided notice to all of Interstate 5 Utility's customers of the proposed acquisition.

On May 2, 2016, the assigned Administrative Law Judge (ALJ) issued an email ruling to require Interstate 5 Utility to file an amended Application to provide a description of the sewer system and to comply with Ordering Paragraph Number 4 (OP No. 4) of Resolution (Res.) W-4431, which was issued

³ The Sears Trust and Mc Mor are jointly referred to as "Applicants" for the remainder of this decision.

⁴ The Application that was filed on July 17, 2015, contained confidential information. The Applicants did not file a motion to file this information under seal. In order to prevent the disclosure of confidential information, the Application that was filed on July 17, 2015, was removed from the public domain and the Applicants were instructed to file an amended Application and to submit a motion for leave to file the confidential information under seal. The Applicants complied with these instructions on August 4, 2015.

on October 16, 2003.⁵ On May 11, 2016, Interstate 5 Utility complied with the requirements set forth in the May 2, 2016, email ruling.

2. Description of Interstate 5 Utility

Interstate 5 Utility was organized on October 25, 1972, to provide potable water and sewer service for approximately 20 commercial connections. The character of the area is rural and is located near the town of Buttonwillow at the intersection of Interstate 5 and Highway 58 in Kern County. Buttonwillow is located approximately 26 miles west of Bakersfield. Interstate 5 Utility came under the Commission's jurisdiction on June 26, 1975, pursuant to Advice Letter No. 1.

Interstate 5 Utility water system consists of two groundwater wells;⁶ three storage tanks; just under 1/6 of an acre of land that contains one of the wells; 6,120 feet of water mains; 10 fire hydrants; and 20 installed meters. Well 1 has an estimated pumping capacity of 175-260 gallons per minute (gpm) and Well 2 has an estimated pumping capacity of 320 gpm. Both wells are located near Interstate 5 and Highway 58.

Storage tanks 1 and 2 each have a capacity of 40,000 gallons and storage tank 3 has a capacity of 10,000 gallons. All of Interstate 5 Utility's customers are on metered water service.

The last general rate increase for Interstate 5 was authorized pursuant to Resolution W-4431, dated October 16, 2003, which authorized a rate of return of

⁵ OP. No. 4 in Res. No. W-4431 required Interstate 5 Utility to "cease consolidating both water and sewer assets in its annual report filings and file individual annual reports for the respective water and sewer operations."

⁶ The system has no other source of water.

12.50 percent. On May 15, 2015, Advice Letter No. 22 authorized a Consumer Price Index (CPI) increase of 0.8 percent. This CPI increase resulted in a revenue increase of approximately \$596.

The Interstate 5 Utility sewer system consists of the following: (1) the wastewater collection system; (2) influent pump station; (3) headworks with a grinder; (4) two extended aeration package treatment plants (Treatment Units 1 and 2) operated in parallel followed by a third package treatment plant (Treatment Unit 3); (5) two evaporation ponds;⁷ and (6) 7,000 feet of clay 8-inch sewer pipes.

3. Request

The trustee of the Sears Trust desires to transfer control of Interstate 5 Utility because she is 85 years old.⁸ Due to the seller's age, she has to rely on consultants and contract operators to run and maintain the system. Mc Mor wishes to acquire the water and sewer system because it is currently in the business of water management and can profitably and efficiently run this system.

4. Description of Mc Mor

Mc Mor is currently not a licensed utility under the jurisdiction of this Commission. However, Mc Mor is in the business of water system management, treatment and distribution. Mc Mor's Articles of Incorporation is dated March 10, 2008. The California Secretary of State's records indicate that Mc Mor is currently in good standing.

⁷ Pond 1 consists of 0.8 acres and Pond 2 0.9 acres.

⁸ The seller is the widow of James P. Sears who initially built and operated the system.

Mc Mor can provide management of the operations of the system when the transfer of control is approved by the Commission. Mc Mor has extensive experience in the business of water system management, treatment and distribution in the State of California. Established in 1981, Mc Mor operates as a general contractor, water conditioning contractor, licensed water treatment and distribution operator, licensed wastewater operator and licensed potable water transporter.

Mc Mor has substantial experience providing water sampling services, state reporting accounting, financial management, water system maintenance, and water disinfection.⁹ Mc Mor currently provides general contracting services in Arizona, California, Idaho, Montana, Nevada, Oregon, Utah and Washington.

Mc Mor wishes to acquire control of the water and sewer system because it can be profitably and efficiently consolidated with the water system management business that it currently operates. Mc Mor's principle place of business is located approximately 30 miles from Interstate 5 Utility.

In addition to other staff, Mc Mor has contracted to maintain Interstate 5 Utility's current on-site licensed operator to oversee the water and sewer systems' operations.¹⁰ This individual has been the on-site licensed operator for Interstate 5 Utility for the last 40 years.

⁹ See <http://www.mcmorchlor.com>.

¹⁰ The on-site licensed operator currently maintains a Grade 2 Distribution and Treatment license.

5. Standard of Review

This application seeking a transfer of control is subject to Pub. Util. Code §§ 851-854.¹¹ Section 851 requires Commission approval before a public utility may sell the whole or any part of its system. Section 854 requires Commission approval for a transfer of control of a utility. Prior to approving the proposed transfer of control, the Commission must determine whether the proposed transfer of control is in the public interest.

5.1 Section 854(a)

Section 854 (a) requires Commission approval before any person or corporation merges, acquires, or controls any public utility organized and doing business in this state without first securing authorization to do so from this Commission. The Commission has broad discretion to determine if it is in the public interest to authorize a transaction pursuant to Section 854(a). The primary standard used by the Commission to determine if a transaction should be authorized under Section 854(a) is whether the transaction will adversely affect the public interest.¹² The Commission may also consider if the transaction will serve the public interest. When necessary and appropriate, the Commission may attach conditions to a transaction in order to protect and promote the public interest.¹³

We also assess whether the transaction is in compliance with California Environmental Quality Act (CEQA) requirements, and whether all required

¹¹ All statutory references are to the Public Utilities Code unless otherwise stated.

¹² See D.00-06-079 (2000), 7 CPUC 3d 101 at 107.

¹³ See D.02-12-068 (2002), *mimeo* at 11.

approvals of other agencies is received, when assessing whether transfer of control of the water and sewer system should be granted.

We evaluate the proposed transfer of control under these standards below. For the reasons set forth below, we find that the transfer of control of the water and sewer systems of Interstate 5 Utility from the Sears Trust to Mc Mor to be in the public interest.

6. Financial Details of the Proposed Transaction

The Business Purchase Agreement entered into on April 3, 2015, calls for a purchase price of \$280,000 for all of the water and sewer services and delivery assets within the Interstate 5 Utility service area. Additionally, the parties contracted separately for the sale of 1/6 parcel of land and the business assets of Interstate 5 Utility for the amount of \$1,000. This small parcel of land is near Well 2. The total of the two transactions is \$281,000.

Upon the close of escrow, the seller will receive \$1,000 in cash. The remaining \$280,000 will be amortized at a rate of five percent interest for 10 years. The purchase price of \$281,000 was agreed upon by the parties due to the willingness of the seller to amortize a majority of the purchase price over a ten-year period.

According to the 2015 revised Annual Report, the net book value of Interstate 5 Utility water system is \$85,024 and the net book value of the sewer system is \$117,794. The total book value for both assets is \$202,818.

Mc Mor understands and agrees that the Interstate 5 Utility's rate base is and will be based upon the depreciated original cost of the plant, excluding

contributed plant, and not the purchase price.¹⁴ Mc Mor clearly understands that it is paying \$78,182 more than the net book value for Interstate 5 Utility and that this additional sum will be excluded from the rate base for ratemaking purposes.

Since Mc Mor is paying more than the recorded book value for the Interstate 5 Utility systems Mc Mor should account for the difference in the purchase price amount through Account 114, the Water Plant Acquisition Account. The balance of \$78,182 should be amortized over a 10-year period through Account 426, Miscellaneous Non-Utility Expense, per the instructions provided in the Uniform System of Accounts.

The Applicants believe that Interstate 5 Utility has additional value, above the recorded book value, because of the planned future commercial developments in and around Interstate 5 Utility's existing service area. Interstate 5 Utility also has an existing right-of-way for both sewer and water lines that run under the Interstate 5 Freeway. This may offer additional expansion opportunities for Interstate 5 Utility to serve future commercial developments on the west side of Interstate 5 Freeway.

On September 15, 2015, the assigned ALJ issued an email ruling inquiring whether there would be any financial impact on Mc Mor if the planned future commercial developments were not constructed. Mc Mor responded on September 30, 2015, indicating that the lack of any future commercial development would have no adverse financial implications on its business.

The Commission examined available records of the water and sewer system including recent balance sheets, income statements, the sales agreement,

¹⁴ See Exhibit E of Application.

and other pertinent records, and determined that the inputs appear to be accurate.

Interstate 5 Utility's rate base will be based on the recorded net book value of the utility assets and not the purchase price. As set forth above, in the revised 2015 Annual Report, the combined net book value of Interstate 5 Utility's water and sewer systems are \$202,818. Accordingly, we set a rate base amount of \$85,024 for the water system and \$117,794 for the sewer system. Since the rate base is based on the recorded net book value and not the purchase price, we find that the transaction is reasonable.

As noted above, the applicants believe that Interstate 5 Utility has a value higher than the recorded book value due to the potential for additional growth in the area covered by Interstate 5 Utility's existing service area. Additionally, the purchase price takes into account the current owner's willingness to finance the transaction. The fact that Mc Mor is paying \$78,182 more than the recorded book value will have no impact on Mc Mor's financial stability or its ability to effectively operate the Interstate 5 Utility. The purchase price will not result in any increase to the combined rate base for the systems. The buyer, Mc Mor, has the financial resources and sufficient liquid assets to own and operate the Interstate 5 Utility, and the addition of the Interstate 5 Utility is not material to Mc Mor's current level of assets.

7. User Fees

Consistent with Pub. Util. Code § 431 *et. al.*, the Commission annually determines a fee to be paid by every water public utility to cover the expenditures and other authorized activities of the Commission affecting the regulating of water utilities. The Commission's Fiscal Office confirmed that

Interstate 5 Utility's user fees for both the water and sewer systems are current and that Interstate 5 Utility has consistently paid the required fees.

8. Annual Reports

As a California regulated water utility, Interstate 5 Utility has a responsibility to file annual reports on its water operations, as set forth in General Order (GO) 104-A. As noted above, at the time of the filing of the Application, Interstate 5 Utility's Annual Reports were not in compliance with OP No. 4 of Res. W-4431. Interstate 5 Utility has subsequently submitted revisions to its Annual Reports for 2014 and 2015 and therefore is now in compliance with GO 104-A. Furthermore, once the transfer of control of Interstate 5 Utility to Mc Mor is effective, Mc Mor shall continue to file Annual Reports as required by GO 104-A for each utility system.

9. Is the Transfer of Control in the Public Interest?

Pursuant to Pub. Util. Code § 854(a), we must evaluate whether this proposed transfer of control is in the public interest.

The transfer of control relieves Doris Sears, trustee of the Sears Trust of her duty to provide public utility water and sewer service in the Interstate 5 Utility. The sales agreement ensures an orderly transfer of control of the water and sewer systems from the Sears Trust to Mc Mor, and thereby (1) offers continued water and sewer service by a responsible and experienced new party, and (2) greatly reduces the chance of the water and sewer system being abandoned.

Mc Mor has an extensive history as a business involved in the distribution, treatment and management of water systems. Additionally, Mc Mor has the financial capacity to effectively operate the Interstate 5 Utility. Mc Mor's experience in the water business and financial capacity will help to ensure the continued health and safety of Interstate 5 Utility customers. The customers of

the water and sewer system will be well served by the change of control of Interstate 5 Utility to Mc Mor.

The transfer of Interstate 5 Utility will not result in any rate increases. Mc Mor proposes to adopt the Interstate 5 Utility's presently filed tariffs. Additionally, Mc Mor agrees to be bound by all outstanding Commission decisions and/or directives involving Interstate 5 Utility's water and sewer systems.

Therefore, we conclude that that transfer of control of Interstate 5 Utility to Mc Mor is in the public interest.

10. Is a CEQA Review Required by the Proposed Transfer of Control?

We have reviewed the application to determine whether CEQA applies to this proposed conveyance. CEQA applies to a "project" or action which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change and involves the issuance to a person of a lease, permit, license, certificate, or entitlement for use by one or more public agencies.¹⁵ If an application does involve a project under CEQA, our Rule 2.4 imposes other procedures and requirements on the applicant.

This application involves only a proposed change in control and operation of existing water and sewer facilities. The application itself proposes no new construction or changes in the source of water supply or to the sewer system's facilities.

¹⁵ Public Resources Code § 21065.

Based on the record before us, there is no evidence of any potential change to the environment as the result of our approval of this application. As a result, we conclude that our approval of the application is exempt from CEQA.

11. Has Mc Mor Received Permits Required by Other Agencies to Operate the Interstate 5 Utility System?

Pursuant to the provisions of California Health and Safety Code (CH&S) § 116525(a), any person or entity operating a public water system must have a permit to operate that system from the State Water Resources Control Board (SWRCB), Division of Drinking Water (DDW).¹⁶ A change in ownership of a public water system requires the prospective new owner to apply to and satisfy the SWRCB's DDW requirement that the new owner "possesses adequate financial, managerial, and technical capability to ensure the delivery of pure, wholesome, and potable drinking water."¹⁷

Accordingly, in addition to the authorization from the Commission for the acquisition of control of the Interstate 5 Utility water system, Mc Mor must also apply for and receive a permit to operate the system from SWRCB's DDW. Mc Mor has requested issuance of the permit from SWRCB's DDW to operate the Interstate 5 Utility system, but has not yet received such authority.¹⁸

Since the required permits have been requested of SWRCB's DDW but not yet received, we condition our approval of the transfer of control on Mc Mor's

¹⁶ Effective July 1, 2014, the Division of Drinking Water (DDW) was transferred from the Department of Health Services to the State Water Resources Control Board (SWRCB).

¹⁷ CH&S Code § 116540(a).

¹⁸ On March 16, 2016, the SWRCB's, DDW sent the assigned ALJ a letter indicating that Mc Mor has submitted the technical, managerial and financial capacity assessment information to SWRCB's, DDW and based upon a review of the information submitted, DDW was not opposed to change in ownership.

receipt of the permit to operate the water system from SWRCB's DDW. Mc Mor must file copies of such permit in this docket within 30 days of receipt of such permits. Mc Mor may not take possession of the Interstate 5 Utility's water system or collect tariffed rates from customers of the system until it has received the required operating permit from SWRCB's DDW.

In addition to having the necessary operating permit from SWRCB's DDW, Mc Mor must also have approval from the California Regional Water Quality Control Board (RWQCB) to operate the sewer system. On February 19, 2016, the RWQCB, Central Valley Region approved the change of ownership in Order R5-2016-0017. Therefore, Mc Mor has received the necessary approval to operate the sewer system of Interstate 5 Utility.

12. Safety Considerations Pursuant to Pub. Util. Code § 451

Pub. Util. Code § 451 requires that every public utility must maintain adequate, efficient, just and reasonable service to promote the "safety, health, comfort, and convenience of its patrons, employees, and the public." We have evaluated this application to determine whether approval of the acquisition would have any safety impacts.

Mc Mor has been providing water system management, treatment and distribution in the State of California for nearly 35 years. Mc Mor has the experience and resources to continue to operate the Interstate 5 Utility in a safe and efficient manner. Therefore, we conclude that Mc Mor's acquisition of the Interstate 5 Utility will help to ensure the health and safety of Interstate 5 customers.

13. Conclusion

Both parties desire the transfer of the Interstate 5 Utility to Mc Mor. Due to her advanced age, Doris Sears, trustee of the Sears Trust desires to exit the utility business because she no longer wants to continue operating Interstate 5 Utility as a regulated public utility. Another entity must therefore take over ownership and operation of the Interstate 5 Utility. Mc Mor has the experience, ability, and financial resources to operate the Interstate 5 Utility. The parties have indicated in their application that the terms and conditions of service will remain unchanged as a result of the acquisition.

We conclude that the proposed sale of the Interstate 5 Utility is reasonable, is in the public interest, and will provide tangible benefits to ratepayers, which include continued provision of quality water service by a water service provider that has the operational experience and financial ability to operate and own the Interstate 5 Utility. We therefore conditionally approve the application for transfer of control of the Interstate 5 Utility water system as of the date of this decision. Since Mc Mor has not yet received permits from SWRCB's DDW to operate the Interstate 5 Utility water system, we condition our authority on Mc Mor's receipt of this permit, and require that Mc Mor file a copy of it in this docket as a condition to exercise the authority granted herein.

As noted above, Mc Mor received the necessary permit from the RWQCB to operate the Interstate 5 sewer system. In accordance with this decision, Mc Mor must file a Tier 1 Advice Letter within 30 days of taking ownership of the Interstate 5 Utility sewer system updating the tariff sheets with the new ownership information. After Mc Mor receives the necessary permit from SWRCB's DDW, it must file a Tier 1 Advice Letter within 30 days of taking ownership of the Interstate 5 Utility water system updating the tariff sheets with

the new ownership information. Except for updating the tariff sheets with the new ownership information, no changes to rates or other tariff provisions are authorized by this decision.

When the conditions imposed by this decision have been met, the transfer of control of the Interstate 5 Utility will relieve Doris Sears of the duty to provide public utility water and sewer service to the Interstate 5 Utility. The conditional authority granted herein is not a finding of the value of the rights and property being sold.

With California facing one of the most severe droughts on record, Governor Brown declared a drought State of Emergency and directed state officials to take all necessary actions to prepare for water shortages. When Mc Mor takes over operation of Interstate 5 Utility, it shall take all necessary actions to promote water conservation efforts amongst its customers.

14. Request to File Under Seal

Pursuant to Rule 11.4 of the Commission's Rules of Practice and Procedure, the Applicants filed motions on August 4, 2015 and September 29, 2015, for leave to file Exhibits C and D (financials) and Exhibit E (bank statements) as confidential materials under seal. The Applicants represent that the information is sensitive, and disclosure could place the Applicants at an unfair business disadvantage. We have granted similar requests in the past and do so here.

15. Categorization and Need for Hearing

Resolution ALJ 176-3360, dated July 23, 2015, preliminarily categorized this application as ratesetting and determined that hearings were necessary. Since there were no protests, the preliminary determination that hearings were necessary is changed to no hearings are necessary.

16. Waiver of Comment Period

This is an uncontested matter in which the decision grants the relief requested. Accordingly, pursuant to § 311(g)(2) of the Pub. Util. Code and Rule 14.6(c)(2), the otherwise applicable 30-day period for public review and comment is waived.

Assignment of Proceeding

Commissioner Catherine J.K. Sandoval is the assigned Commissioner and Gerald F. Kelly is the assigned ALJ for this proceeding.

Findings of Fact

1. Resolution ALJ 176-3360, dated July 23, 2015, preliminarily determined that this is a ratesetting proceeding and that hearings would not be necessary. No protests were filed and no hearings are necessary.

2. The transfer of control of the Interstate 5 Utility water and sewer systems from Doris Sears, trustee of the Sears Trust to Mc Mor is desired by both parties.

3. The Interstate 5 Utility system provides potable water and sewage service to approximately 20 commercial connections near the town of Buttonwillow at the intersection of Interstate 5 and Highway 58 in Kern County.

4. Mc Mor has been providing water system management, treatment and distribution in the State of California for nearly 35 years.

5. The purchase price of the system is \$281,000.

6. Mc Mor is paying \$78,182 above the revised 2015 recorded book value of the Interstate 5 Utility System.

7. The rate base amounts for the ratemaking of water and sewer rates will be based upon the revised recorded book value of the Interstate 5 Utility system and not the purchase price.

8. The rate base amount for Interstate 5 Utility's water system is \$85,024 based on 2015 revised recorded book value.
9. The rate base amount for Interstate 5 Utility's sewer system is \$117,794 based on 2015 revised recorded book value.
10. The total recorded book value for both the water and sewer systems of Interstate 5 Utility system is \$202,818.
11. Mc Mor has the financial resources and sufficient liquid assets to own and operate the Interstate 5 Utility.
12. The sale and transfer of control of the Interstate 5 Utility will have no significant effect on the environment.
13. After consummation of the sale and transfer, Doris Sears will no longer provide public utility service to customers in the Interstate 5 Utility.
14. Mc Mor has requested but not yet received permits from SWRCB's DDW to operate the Interstate 5 Utility water system.
15. RWQCB, Central Valley Region approved the change of ownership for the sewer system of Interstate 5 Utility in Order R5-2016-0017.
16. Mc Mor will adopt the presently filed tariffs that are in effect.
17. The purchase will not result in an increase in the rate base.
18. The last GRC for the Interstate 5 Utility system was conducted in 2003.
19. Interstate 5 Utility has consistently requested CPI increases since the last GRC.
20. After consummation of the transfer of control, Mc Mor will retain the ability to operate the Interstate 5 Utility in a manner that promotes the health and safety of its patrons, the public and its employees.

Conclusions of Law

1. Transfer of control of the Interstate 5 Utility's water and sewer systems from the Sears Living trust to Mc Mor is in the best interest of the public.
2. Doris Sears, trustee of the Sears Trust should be conditionally authorized to transfer control of the Interstate 5 Utility water and sewer systems to Mc Mor.
3. The proposed transfer of control of the Interstate 5 Utility water and sewer systems is exempt from CEQA, and no further environmental review is required.
4. When a change in ownership of a public water system occurs, the buyer of the public water system must apply for a new operating permit.
5. Authority for the Sears Living Trust to sell and Mc Mor to buy the Interstate 5 Utility water system should be conditioned on Mc Mor's receipt of the required permit from SWRCB's DDW to operate the Interstate 5 Utility water system.
6. Mc Mor should file copies of the required operating permit from SWRCB's DDW in this docket within 30 days of receipt of such authority being granted.
7. Mc Mor should not take possession of the Interstate 5 Utility water system and not collect tariffed rates from customers of the Interstate 5 Utility water system until it has received the operating permit from SWRCB DDW.
8. RWQCB, Central Valley Region approved the change of ownership for the sewer system of Interstate 5 Utility in Order R5-2016-0017.
9. Mc Mor will adopt the presently filed tariffs of the seller, which are currently in effect.
10. There will be no increase in the rate base as a result of Mc Mor paying \$78,182 more than the revised 2015 recorded book value of Interstate 5 Utility.
11. It is not necessary for Mc Mor to file an informal GRC for the Interstate 5 Utility as a condition of the transfer of ownership of the utility system.

12. A Tier 1 Advice Letter must be filed within 30 days of taking control of the Interstate 5 Utility water system to update the tariff sheets with the new ownership information.

13. A Tier 1 Advice Letter must be filed within 30 days of taking control of the Interstate 5 Utility sewer system to update the tariff sheets with the new ownership information.

14. Mc Mor's acquisition of the Interstate 5 Utility will help ensure the health and safety of Interstate 5 Utility's customers.

15. This proceeding should remain open in order to receive copies of the required operating permit.

O R D E R

IT IS ORDERED that:

1. The application of Doris Sears, trustee of the Sears Trust doing business as Interstate 5 Utility Company, Inc. (Interstate 5 Utility), to transfer control of the Interstate 5 Utility water and sewer systems to Mc Mor Chlorination, Inc. (Mc Mor), is granted, conditioned on Mc Mor's receipt of a permit from the State Water Resources Control Board's Division of Drinking Water to operate the Interstate 5 Utility system.

2. Mc Mor Chlorination, Inc. shall file a copy of the operating permit from the State Water Resources Control Board's Division of Drinking Water as a compliance filing in this docket within 30 days of receipt of such authority.

3. Mc Mor Chlorination, Inc. shall not take possession of the Interstate 5 Utility Company, Inc. (Interstate 5 Utility) water system and may not collect tariffed rates from customers of the Interstate 5 Utility water system until it has

received the operating permit from the State Water Resources Control Board's Division of Drinking Water.

4. Mc Mor Chlorination, Inc. shall file a Tier 1 Advice Letter within 30 days of taking control of the Interstate 5 Utility Company, Inc., water system updating the tariff sheets with the new ownership information.

5. Mc Mor Chlorination, Inc. shall file a Tier 1 Advice Letter within 30 days of taking control of the Interstate 5 Utility Company, Inc.'s sewer system updating the tariff sheets with the new ownership information.

6. Within ten days of the effective date of sale of the Interstate 5 Utility Company, Inc., Mc Mor Chlorination, Inc. shall notify the Director of the Commission's Division of Water and Audits in writing that the sale has been completed.

7. The adopted rate base amount for Interstate 5 Utility's water system is \$85,024 based on 2015 revised recorded book value.

8. The adopted rate base amount for Interstate 5 Utility's sewer system is \$117,794 based on 2015 revised recorded book value.

9. The amount of \$78,182, which Mc Mor Chlorination, Inc. paid above the revised 2015 recorded book value for Interstate 5 Utility Company, Inc. water and sewer systems shall be excluded from the Interstate 5 Utility's sewer and water systems' rate base.

10. Mc Mor Chlorination Inc. shall account for the \$78,182 paid above the revised 2015 recorded book value through Account 114, the Water Plant Acquisition Account.

11. The balance of \$78,182 should be amortized over a ten-year period through Account 426, Miscellaneous Non-Utility Expense, per the instructions provided in the Uniform System of Accounts.

12. The August 4, 2015 and September 29, 2015 motions of Interstate 5 Utility Company and Mc Mor Chlorination, Inc. to file under seal Exhibits C and D (financials) and Exhibit E (bank statements) is granted for a period of three years after the effective date of this order. During this three-year period, the information in Exhibits C, D, and E shall not be publicly disclosed except on further Commission order or Administrative Law Judge ruling. If Interstate 5 Utility Company and Mc Mor Chlorination, Inc. believes that it is necessary for this information to remain under seal for longer than three years, Interstate 5 Utility Company and Mc Mor Chlorination, Inc. may file a new motion showing good cause for extending this order by no later than 30 days before expiration of this order.

13. No hearings are necessary.

This order is effective today.

Dated August 18, 2016, at San Francisco, California.

MICHAEL PICKER
President
MICHEL PETER FLORIO
CATHERINE J.K. SANDOVAL
CARLA J. PETERMAN
LIANE M. RANDOLPH
Commissioners